



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

November 24, 2009

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES REQUEST FOR
SUBORDINATION OF CERTAIN PASS-THROUGH PAYMENTS TO COUNTY
TAXING ENTITIES ON THE EARTHQUAKE DISASTER ASSISTANCE PROJECT
FOR PORTIONS OF COUNCIL DISTRICT 7 (PACOIMA/PANORAMA CITY)
REDEVELOPMENT PROJECT AREA
(SUPERVISORIAL DISTRICT 3)
(3 VOTES)**

SUBJECT

Recommendation to approve a Resolution subordinating the County of Los Angeles' right to receive certain pass-through payments from the Redevelopment Agency of the City of Los Angeles Pacoima/Panorama City Redevelopment Project Area to the Agency's 2009 Series D Bonds, but not to any existing or future parity indebtedness.

**JOINT RECOMMENDATION WITH THE COUNTY, THE FIRE CHIEF, AND THE DIRECTOR
OF PUBLIC WORKS THAT YOUR BOARD:**

Approve a Resolution subordinating the County of Los Angeles', the County Consolidated Fire Protection District's, the Flood Control District's, and the County Library District's right to receive certain pass-through payments from the Community Redevelopment Agency of the City of Los Angeles ("Agency") Earthquake Disaster Assistance Project for Portions of Council District 7 (Pacoima/Panorama City) Redevelopment Project Area ("Project") to the Agency's 2009 tax allocation bonds (the "Series D Bonds").

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Project was adopted on November 29, 1994. The Agency intends to issue its Series D Bonds on or before December 31, 2009, and in an aggregate principal amount not to exceed twenty million dollars (\$20,000,000.00). The Agency is preparing to issue the

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper ~ This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

Series D Bonds for the purpose of financing a portion of redevelopment activities. The subordination of certain payments to taxing entities is required by law based on a timely agency request and showing that sufficient funds to pay both debt service and pass-through payments to affected taxing agencies will be available when payments are due. The County Chief Executive Officer, Fire Chief, Director of Public Works, and County Librarian each received a subordination request from the Agency on October 15, 2009.

FISCAL IMPACT/FINANCING

Health and Safety Code Section 33607.5(e) provides that certain pass-through payments to taxing entities may be subordinated to a redevelopment agency's payments for debt service. The County may disapprove a request for subordination only if it finds, based on substantial evidence, that the agency will not be able to pay both the debt service payments and the pass-through payments to the affected taxing entities. The Agency's tax increment projections, reviewed by the Chief Executive Office, indicate that there will be sufficient coverage to satisfy the debt service on the 2009 Series D Bonds, existing debt service, and the required pass-through payments to the taxing entities.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

As the Project was adopted in 1994, it falls within the parameters of Section 33607.5. Section 33607.5(e)(3) provides: "If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive." Failure to act within 45 days after receipt of the agency's request (in this case, November 30, 2009) constitutes County approval of the agency's request to subordinate to the bonds. County Counsel indicates that approving subordination to the bonds by express resolution is preferable to failing to take action within 45 days.

In addition to requesting subordination of pass-through payments to its Series D Bonds, the Agency also asked that pass-through payments be subordinated to "any current and future parity indebtedness." However, that portion of the Agency's request is ineffective. Consequently, the proposed Resolution indicates that existing parity indebtedness and future parity indebtedness are not being subordinated at this time.

In the case of existing parity indebtedness, the Agency's request is belated and would not accomplish the purposes of the Community Redevelopment Law. Section 33607.5 permits the Agency to request subordination of pass-through payments prior to incurring its loans, bonds or other indebtedness. In the case of existing parity indebtedness, the loans have already been incurred and a request to subordinate them now is untimely. Furthermore, retroactive subordination would not permit the Agency to benefit from a lower interest rate; hence, the purpose of subordination would not be achieved. Pass-through payments will only be subordinate to the Agency's existing indebtedness to the extent that they were previously subordinated, and the County's records reflect that pass-through payments were subordinated to the Agency's Series B Bonds in August of 2006.

In the case of future parity indebtedness, Section 33607.5 requires the Agency to provide substantial evidence that sufficient funds will be available to pay both the debt service and the payments due to the taxing entities. Since the Agency has not described its future parity indebtedness with precision nor provided the substantial evidence required under Section 33607.5, this aspect of the Agency's request is premature.

CONCLUSION

At such time as the recommendation is approved by your Board, please return one copy of this letter and Resolution to the Chief Executive Office, Office of Unincorporated Area Services, and one copy of the letter and Resolution to the Auditor-Controller, Tax Division.

Respectfully submitted,



WILLIAM T. FUJIOKA
Chief Executive Officer

Respectfully submitted,



P. MICHAEL FREEMAN
Fire Chief

Respectfully submitted,



GAIL FARBER
Director of Public Works

WTF:PMF:GF
LS:DSP:RTM:ib

Attachment

c: Acting County Counsel
Auditor-Controller
Executive Officer, Board of Supervisors
Finance Director, Community Redevelopment Agency of the City of Los Angeles

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES'
RIGHT TO RECEIVE CERTAIN PASS-THROUGH PAYMENTS TO THE
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES
EARTHQUAKE DISASTER ASSISTANCE PROJECT FOR PORTIONS OF
COUNCIL DISTRICT 7 (PACOIMA/PANORAMA CITY) REDEVELOPMENT
PROJECT, 2009 BOND ISSUANCE**

WHEREAS, the City Council of the City of Los Angeles, on November 29, 1994, adopted Ordinance No. 170156 which established the redevelopment plan for the redevelopment project known as the "Earthquake Disaster Assistance Project for Portions of Council District 7 (Pacoima/Panorama City)" (the "Project");

WHEREAS, the Community Redevelopment Agency of the City of Los Angeles ("the Agency") has incurred indebtedness pursuant to its Series A Loan, Series B Loan and Series C Loan (hereafter referred to collectively as "Existing Parity Indebtedness");

WHEREAS, on August 8, 2006 the County of Los Angeles ("County") and the Los Angeles County Consolidated Fire Protection District ("the Fire District") approved a resolution subordinating the County's and Fire District's right to receive pass-through payments from the Project to the Agency's Series B Bonds;

WHEREAS, the Community Redevelopment Agency of the City of Los Angeles ("Agency") intends to issue tax allocation bonds, on or before December 31, 2009, in an aggregate principal amount not to exceed twenty million dollars (\$20,000,000.00) (hereafter referred to as the "Series D Bonds");

WHEREAS, the Series D Bonds will be payable from tax increment revenues collected within the Project area;

WHEREAS, the County received a letter on October 15, 2009 from the Agency advising its intention to issue the Series D Bonds, and requesting that the County, the Los Angeles County Flood Control District ("Flood"), the County Library District ("Library"), and the Fire District (collectively "Taxing Entities") subordinate their statutory pass-through payments to the payment of debt service on the proposed Series D Bonds and any current and future parity indebtedness;

WHEREAS, the Agency made its request pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5");

WHEREAS, Section 33607.5 provides that the amount required to be paid to an affected taxing entity may be subordinated to bonds under certain circumstances;

WHEREAS, the requested subordination does not lessen or eliminate the Agency's obligation to make the required payments to the Taxing Entities under Section 33607.5 and is intended to permit the Agency to obtain a higher credit rating on its bonds and thus lower the Agency's financing costs;

WHEREAS, Section 33607.5 provides that if the redevelopment agency requests an affected taxing entity to subordinate the amount to be paid to it, prior to the agency incurring any bonded indebtedness, and the agency provides substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5;

WHEREAS, the Agency has presented substantial evidence demonstrating its ability to make the required payments to the Taxing Entities after payment of debt service on its Series A Loan, Series B Loan, Series C Loan, and the Series D Bonds; and

WHEREAS, the Agency has asked the Taxing Entities to subordinate their payments to the Agency's "future parity indebtedness" but has neither described that future parity indebtedness nor provided substantial evidence that sufficient funds will be available to pay both the debt service on that future parity indebtedness, other indebtedness and the payments required by Section 33607.5 when those payments are due;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

Pursuant to Health & Safety Code Section 33607.5, the County, Flood, Library, and Fire District hereby agree that, so long as the Series D Bonds remain outstanding, any and all payments which the Taxing Entities are entitled to receive from the Project area shall be, and shall remain, subordinate to the payments pledged from the Project to pay the principal of and interest on the Series D Bonds.

Subordinate the County's Right to Receive
Pass-Through Payments to the Pacoima/
Panorama Redevelopment Project
Page 1 of 3

Because the Agency has already incurred its Existing Parity Indebtedness, arising from its Series A, Series B, and Series C loans, the Agency's current request to subordinate Existing Parity Indebtedness is untimely. Consequently, this subordination does not extend to the Agency's Existing Parity Indebtedness. Payments to the Taxing Entities are subordinate to Existing Parity Indebtedness, or some portion thereof, only to the extent that it may previously have been subordinated pursuant to section 33607.5.

Because the Agency has not described its "future parity indebtedness" nor provided substantial evidence that sufficient funds will be available to pay debt service on its "future parity indebtedness" while also making payments required under Section 33607.5, this subordination does not extend to the Agency's "future parity indebtedness."

Consequently, this subordination applies only to the Agency's Series D Bonds issued on or before December 31, 2009, in an aggregate principal amount not to exceed twenty million dollars (\$20,000,000.00).

The foregoing resolution was on the ____ day of November 2009, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.

SACHI A. HAMAI, Executive Officer-Clerk of
the Board of Supervisors of the County of
Los Angeles

By _____
Deputy

APPROVED AS TO FORM

ROBERT E. KALUNIAN
Acting County Counsel

By  _____
Deputy